

NCA  
VOC FOR IOP/FN  
POLITICAL FEATURE NO. 1-1965  
FRANK M. FEINBERG

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OIL COSTS AND DEVELOPING ECONOMIES

(TAPE INSERTS IN LIBRARY)

ANNCR:

A RANKING U.S. GOVERNMENT ECONOMIC OFFICIAL SAYS ANOTHER OIL PRICE INCREASE NOW WOULD HAVE A SERIOUS ADVERSE IMPACT ON THE OVERALL WORLD ECONOMY. STEPHEN BOSWORTH, A DEPUTY ASSISTANT SECRETARY OF STATE, GAVE THIS APPRAISAL IN A VOA INTERVIEW. BUSINESS EDITOR FRANK FEINBERG LOOKS AT MISTER BOSWORTH'S CONCLUSIONS:

VOICE:

MISTER BOSWORTH DEALS WITH ECONOMIC AND BUSINESS AFFAIRS ON AN INTERNATIONAL BASIS. AND HE REASONS THAT IF THE OPEC COUNTRIES RAISE PETROLEUM PRICES AGAIN THERE IS THE PROBABILITY OF SEVERE DAMAGE TO THE INTERNATIONAL ECONOMY. HE SAYS ANOTHER PRICE HIKE AT THIS TIME IS NOT WARRANTED:

TAPE: CUT ONE -- BOSWORTH

"WE FAIL TO SEE ANY ECONOMIC JUSTIFICATION FOR AN OIL PRICE INCREASE AT THIS PARTICULAR TIME. MOREOVER, WE WOULD BE VERY CONCERNED THAT ANY OIL PRICE INCREASE COULD HAVE A VERY SERIOUS IMPACT ON THE WORLD ECONOMY IN GENERAL WHICH IS STILL IN A VERY SERIOUS RECESSION OF 1974-'75. AND A VERY SEVERE IMPACT ON THE ECONOMIES OF SOME COUNTRIES IN PARTICULAR. SOME OF THE INDUSTRIALIZED COUNTRIES WHO HAVE HAD GREATER DIFFICULTIES THAN OTHERS IN ADJUSTING TO THE IMPACT OF THE HIGHER PRICES (FOR OIL) OF 1973 AND '74. AND MORE PARTICULARLY ON THE ECONOMIES OF THE OIL-IMPORTING DEVELOPING COUNTRIES FOR WHOM THE INCREASE IN THE COST OF THEIR IMPORTED OIL HAS BECOME A NEW AND VERY MAJOR CONSTRAINT ON THEIR OWN PROSPECTS FOR ECONOMIC DEVELOPMENT."

VOICE:

MISTER BOSWORTH SAYS STUDIES INDICATE THAT A FIVE PERCENT RAISE IN EXISTING OIL PRICES, FOR EXAMPLE, WOULD COST LESS DEVELOPED COUNTRIES COLLECTIVELY ONE-THOUSAND MILLION DOLLARS OVER ONE-YEAR.

(OPT) MISTER BOSWORTH EXPLAINS THAT THIS POTENTIAL NEW FINANCIAL BURDEN FOR CAPITAL-DEFICIENT COUNTRIES REPRESENTS BOTH DIRECT AND INDRECT COSTS. ANOTHER PETROLEUM PRICE HIKE WOULD FIRST OF ALL MEAN HIGHER OIL BILLS. THEN, HE POINTS OUT, HIGHER OIL PRICES WOULD FURTHER STIMULATE INFLATION WORLDWIDE. THIS WOULD RAISE THE PRICES OF OTHER ESSENTIALS IMPORTED BY DEVELOPING COUNTRIES. AND THIRDLY, HIGHER INFLATION IN INDUSTRIALIZED STATES, JUDGING FROM PAST EXPERIENCE, RESULTS IN INDUSTRIAL SLOW-DOWNS AND THEIR BUYING LESS PRIMARY PRODUCTS FROM COUNTRIES HIGHLY DEPENDENT ON SUCH PURCHASES. (END OPT)

OPEC MEMBERS SAY THEIR PRICE INCREASES ARE JUSTIFIED BECAUSE OF THE HIGHER PRICES THEY PAY FOR MERCHANDISE PURCHASED FROM THE INDUSTRIALIZED NATIONS. BUT MISTER BOSWORTH TAKES EXCEPTION TO THIS CLAIM:

TAPE: CUT TWO -- BOSWORTH

"NO, OUR ANALYSIS INDICATES THAT THE COST OF EXPORTS TO OPEC OF INDUSTRIALIZED GOODS FROM THE SEVEN LARGEST INDUSTRIALIZED COUNTRIES HAS INCREASED BY LESS THAN THREE PER CENT OVER THE LAST FIFTEEN MONTHS SINCE THE LAST INCREASE IN THE PRICE OF OIL, WHICH WAS A TEN PER CENT INCREASE. (OPT) NOW, THE OI-EXPORTING COUNTRIES CLAIM THAT THE COST OF THEIR IMPORTS BY THE TIME THEY LAND ON THEIR SHORES HAS INCREASED SOMEWHAT MORE THAN THAT. WELL, THAT'S POSSIBLE, AND IT'S QUITE LIKELY. BUT THE PROBLEM IS NOT THE INCREASE IN THE COST OF OUR EXPORTS. THE PROBLEM IS THE DIFFICULTY THAT THESE COUNTRIES HAVE EXPERIENCED IN ABSORBING THIS TREMENDOUS INCREASE IN EXPORTS. IN SOME CASES, FOR EXAMPLE, WE FIND THAT PORT CONGESTION HAS BECOME SUCH A PROBLEM THAT SHIPS WAIT FOR AS LONG AS TWELVE MONTHS TO UNLOAD THEIR CARGOES. NOW OBVIOUSLY, THAT ADDS VERY SUBSTANTIALLY TO THE COST OF THE IMPORTS OF THE OIL-EXPORTING COUNTRIES." (END OPT)

VOICE:

(OPT) THE STATE DEPARTMENT OFFICIAL SAYS THERE ARE NO SIMPLE ANSWERS TO THE WORLD'S ENERGY NEEDS AND COSTS. BESIDES URGING RESTRAINT BY THE OIL EXPORTERS -- FOR THE COMMON GOOD -- HE CALLS FOR MORE EFFORTS AND MORE CO-OPERATION IN BOTH CONSERVING EXISTING ENERGY RESOURCES, AND DEVELOPING NEW SOURCES. (END OPT)

MISTER BOSWORTH SAYS THERE MUST BE A SUSTAINED COMMITMENT TO INCREASE THE USE OF LESS DEPLETABLE SOURCES OF ENERGY WHENEVER POSSIBLE. THIS MEANS SWITCHING FROM OIL TO COAL, AND STEPPING UP RESEARCH IN USE OF NUCLEAR, SOLAR, HYDROGEN AND OTHER PRESENT AND POTENTIAL ENERGY BASES. AND HE URGES MORE COORDINATION OF GLOBAL ENERGY EFFORTS IN SUCH ORGANIZATIONS AS AN INTERNATIONAL ENERGY INSTITUTE PROPOSED BY THE UNITED STATES.

JS/RCS